

PUBLIC UTILITIES COMMISSION OF THE STATE OF CALIFORNIA

**Telecommunications Division
Carrier Branch ***

**RESOLUTION T-16597
November 29, 2001**

R E S O L U T I O N

RESOLUTION T-16597. KERMAN TELEPHONE COMPANY (U-1012-C).
GENERAL RATE CASE FILING IN RESPONSE TO DECISION NOS. 01-
02-018 AND 01-05-031.

BY ADVICE LETTER NO. 291, FILED ON JUNE 1, 2001.

SUMMARY

This Resolution rejects without prejudice Kerman Telephone Company's (Kerman) Advice Letter (AL) No. 291 for a General Rate Case (GRC) filing in accordance with Decision (D.) 01-02-018, and requires Kerman to resubmit its general rate case filing by application, no later than March 31, 2002, for a test year 2003.

BACKGROUND

The City of Kerman is an agricultural community located 15 miles west of Fresno in the I-5 Corridor. Kerman's current population according to the 2000 U.S. Census is 8,551 with a median household income of \$23,000. Kerman has a service territory of 175 square miles and currently services 6800 access lines, 2400 of which qualify for United Lifeline Telephone Service (ULTS).

Kerman's previous GRC was filed by AL No. 226 on December 29, 1995, and was approved by Commission Resolution T-16003 on May 6, 1997.

D.01-02-018 granted termination of toll and access settlement payments by Pacific Bell to the 13 Small Local Exchange Carriers (SmLECs), including Kerman, and approved interim replacement funding for the SmLEC's from the California High Cost Fund-A (CHCF-A) in 2001. D.01-05-031 extended the CHCF-A replacement funding mechanism for one additional year, 2002, for seven SmLECs, including Kerman. In D.01-05-031 the Commission established a schedule for Kerman to file a GRC in 2002. Kerman, however, filed its GRC by AL No. 291 on June 1, 2001, rather than in 2002, stating that

its 2001 intrastate earnings would be less than its last Commission authorized intrastate rate of return, and is therefore requesting additional funding from the CHCF-A to make up the revenue shortfalls in test year 2002.

Kerman's requests in AL No. 291 are based on a test year of 2002. It asserts that for the test year it will have a revenue requirement of \$8,563,322 that includes projected return on rate base of \$4,079,125. The utility therefore requesting an increase in its CHCF-A draw from \$2,038,248 to \$4,484,197; this is \$2,445,949 more than authorized in D.01-02-018.

Kerman is requesting an annual net revenue decrease in customer billings totaling \$190,511. This reduction is the result of the following changes:

- A. An increase of their overall intrastate Rate of Return (ROR) from 10% as authorized in their 1997 GRC to 12.25%.
- B. The elimination of mileage rates with a resulting revenue reduction of \$236,772.
- C. The withdrawal of party line service results in a negligible revenue affect.
- D. Institution of a 1.5% late payment charge on unpaid balances of \$20 or more as authorized for other telephone companies. The resulting increase in annual revenues for this charge is \$13,500.
- E. Establishment of a service order change charge of \$9.37; this will increase revenues by an estimated \$5,734. This charge applies whenever an existing customer wants to add to or change their service.
- F. Establishment of Local Area Operator Assistance Service with a monthly residential call allowance of 3 and a \$0.46 charge per Directory Assistance (DA) call thereafter. The resulting revenue impact of this change will be an increase of \$37,867.

NOTICE/PROTESTS

Notice of Kerman's AL No. 291 filing was published in the Commission's Daily Calendar of June 20, 2001. Customers were notified of Kerman's AL filing by bill insert as well as by an advertisement in the Kerman Newspaper during June 2001. The Office of Ratepayer Advocates (ORA) filed a protest to AL No. 291 on July 5, 2001. Kerman's response to ORA's protest was filed on July 16, 2001.

DISCUSSION

ORA's protest of AL No. 291 is primarily concerned with three issues: first, the inclusion of ROR issues in an AL filing; second, Kerman's proposed increase of their authorized intrastate ROR; and third, the monthly DA charge and call allowance.

ORA asserts that an initial request for an increased ROR should not be included in an advice letter filing and recommends that Kerman withdraw and resubmit its request by application. Furthermore, ORA indicates that Kerman's filing for ROR is premature given that other companies have not filed yet. As a result, there is no industry standard or perspective available for reference.

ORA also argues that Kerman has not justified its requested increase in its intrastate ROR. The increase for test year 2002, "from 10% to 12.25% is premature and lacks supporting information" and should be determined in common for all SmLECs filing a GRC in the same year as was done in 1997.

According to ORA, Kerman also fails to provide cost information to support its request to establish a monthly DA allowance and charge. ORA does not agree with the structure of Kerman's proposal when compared to other SmLECs who have DA call allowances. As ORA states, "other companies provide five free residential and ... charge only 25 cents for additional DA calls". The DA service provided by these SmLECs allow for a greater number of inquiries and are less expensive than Kerman's proposal.

In response to ORA's protest, Kerman asserts that ORA does not provide nor is there any support for its position regarding ROR. Kerman states that it proceeded "pursuant to General Order No. 96, Section VI", which authorizes SmLECs to file a GRC by advice letter. Kerman also argues that the current AL filing also complies with past practice in which the Telecommunications Division (TD) reviewed GRCs requested by AL.

In response to ORA's protest of the monthly DA charge and allowance, Kerman argues that this is a rate design issue and should for that reason be negotiated between Kerman and TD. It argues that previous rate design issues have been handled in this manner and there is no reason to discontinue this procedure.

TD's position on the issues raised in the ORA protest is as follows. Kerman has not, as of this writing, provided support for its proposed intrastate ROR. Kerman even provides insight into the need for this information when it references California Public Utilities Commission (CPUC) documents in response to the ORA protest, "the small company filing a general rate case by advice letters provide "cost of capital and rate of return calculations"". These calculations were not provided to TD by Kerman nor have

they been available when requested. The absence of this information prohibits the approval of any ROR.

In order to maintain the schedule set by D.01-05-031, TD suggests that Kerman's ROR should be determined in an industry review involving those SmLECs filing GRCs in 2002 with a test year of 2003.

Finally, TD recommends that Kerman file an application for its GRC rather than filing by advice letter for the following reasons. First, the ROR issue is not properly addressed in the advice letter process. Adequate determination of the intrastate ROR, requires an industry review as well as a public hearing, both of which, are unavailable and inappropriate in the advice letter process. Second, AL No. 291 contains issues of a complex and controversial nature that will not be appropriately addressed unless examined through the application process. TD also suggests that Kerman file for a monthly DA charge and call allowance structure similar to those currently utilized by the other SmLECs.

In addition to those issues raised by ORA, TD raises the following issues upon its review of Kerman's AL No. 291:

- 1) For the years 1998 to 2000 Kerman has experienced a dramatic drop in its intrastate ROR from 25.13% to 7.40%. In addition, Kerman estimates that its intrastate ROR for 2001 to be -0.09%. During this period 1998-2001, Kerman's expenses have increased 75%, plant investment has increased 79%, yet revenues have only seen a moderate growth of 19%. In test year 2002, Kerman's estimates an expense increase of 19%, a plant investment increase of 33%, with revenues again falling short at 9%; this results in a -3.9% intrastate ROR. As previously discussed, Kerman is requesting an additional draw of \$2,445,949 from CHCF-A in 2002; this would make up for a sliding ROR and result in an estimated ROR of 12.25%.
- 2) As of December of 1999, Kerman has occupied a new Central Office Building (COB) for which their current lease payment is \$592,800 per year. The new facility was constructed by Kertel Communications Inc., Kerman's parent company, at a cost of \$3,221,534. At this rate, Kerman will have paid to their parent company an amount equal to the total value of the COB within 6 years. If Kerman had built the COB itself, and assuming an estimated life expectancy of 45 years, the resulting depreciation expense would be \$66,704. If you add this depreciation expense to the 10% return on rate base, \$322,154, the total for first year revenue requirement is \$388,857. It appears from these simple calculations that it may be far more prudent for Kerman to have built its own facility.

- 3) The prudence of Kerman's fiber optic network upgrade also raises questions of reasonableness. Kerman is in the process of installing a fiber optic network that would place a fiber node within 6000 feet of every customer. Kerman has informed TD staff that the fiber network is an effort to make high-speed access available to all of its customers. Fiber is not necessary for the provision of basic phone service, but is necessary for those customers who want high speed access and/or DSL service and reside more than 18,000 feet from the COB or a fiber node. TD staff has requested that Kerman provide documentation regarding the number of customers that reside within 18,000 feet of its COB, but that information has never been provided.

Considering Kerman's present copper cable network, the economic situation of its customers, and the geography of the City of Kerman, many questions of prudence regarding the fiber optic network upgrade arise. When evaluating the prudence of the upgrade, TD believes the following questions must be addressed: a) Is the existing copper distribution network adequate to meet demand? and b) Can DSL service be provisioned on the existing copper network without the fiber optic upgrade? TD questions whether revenue projections can justify the upgrade as there are currently only 75 DSL subscribers. Further, TD notes that DSL service is not one of the service elements of ULTS as set forth in Appendix A of G.O. 153 and Kerman's current customer base is 6800 lines, of which 2400 lines qualify for ULTS.

- 4) In addition to the new fiber optic network and central office building, Kerman is installing a new central office switch (switch). TD considers the switch upgrade to be prudent, but whether or not the new switch and network upgrade will be 100% used and useful during the entire test year 2002 is questionable. It is also questionable whether all plant additions will be completed and operational for the TD recommended new test year of 2003.
- 5) Further aspects of Kerman's operations that may require additional investigation due to their complex and controversial nature are: a) the relationship between the parent company and Kerman, b) jurisdictional separations, and c) director compensation. TD recommends that an audit of Kerman's affiliate transactions with its parent company, Kertel Communications Inc. (offering Internet Services, customer premises equipment and security systems) and Kerman Long Distance (an interexchange telecommunications company) be performed. This audit should verify that DSL as well as other interstate service expenses, and rate base are being properly separated between the interstate and state jurisdictions. Additionally since Kerman's director compensation has nearly doubled since its last rate case was approved in 1997, its proposed director compensation amounts should also be investigated.

- 6) Kerman currently only offers flat rate residence and business service to its customers. Kerman has the capability to offer measured service and TD would like to see the utility take advantage of that capability. TD suggests that Kerman include a rate design proposal for mandatory business measured rate service and consider including a proposal for a measured rate service option that may be less expensive for residence customers.

TD's RECOMMENDATIONS

TD recommends Kerman's filing of AL No. 291 for a GRC be rejected by the Commission without prejudice. In addition, TD suggests that Kerman file a GRC by application no later than March 31, 2002, with a test year of 2003. TD makes the following rate design recommendations with the understanding that Kerman must address these issues in its GRC filing, but is unrestricted from submitting additional proposals.

TD recommends Kerman address the following issues when filing their application:

- A. Furnish cost of capital workpapers and all needed support to justify its requested intrastate rate of return.
- B. Modify its proposed monthly directory assistance charge and call allowance request to reflect those of other SmLECs.
- C. Provide justification for the lease of the new Central Office Building (COB).
- D. Explain the prudence of upgrading the fiber optic network distribution network to within 6000 feet of every customer.
- E. Verify completion dates and use of plant additions for the test year.
- F. Provide justification for director compensation amounts.
- G. Include rate design proposals for mandatory business measured rate service and consider submitting a proposal for a measured rate service option that may be less expensive for residence customers.

TD also recommends that ORA perform an audit of Kerman's affiliate transactions and jurisdictional separations.

COMMENTS BY PARTIES

The draft resolution of the TD in this matter was mailed to the parties in accordance with PU Code Section 311(g)(1). Comments were filed on October 23, 2001 by ORA and Kerman. Reply comments were filed on October 29, 2001 by both ORA and Kerman.

Kerman raises the following issues in their comments on Draft Resolution (DR) T-16597:

The primary argument raised by Kerman regarding the (DR) is the utility's assertion that T-16597 is prejudicial although the resolution states that it, "rejects without prejudice". Kerman holds that the inclusion and acceptance of any preliminary position constitutes prejudice. From this opinion Kerman concludes that the preliminary recommendations made by TD should be removed. If not, Kerman argues the utility will be deprived of the right to an unbiased review of its GRC application filing.

Kerman also states that due to AL No. 291 being rejected it was unable to properly respond to the formal and informal data requests made by TD. Kerman stresses that if the utility's GRC had not been rejected, they would have provided the information TD had requested on the issues discussed below.

Kerman alleges that its Cost of Capital (COC) calculations would have been available at the end of September, but since the utility was informed on September 6, 2001 that AL No. 291 was to be rejected, they did not submit the requested information. Kerman maintains that as with the COC calculations, the documentation regarding the number of customers residing within 18,000 feet of the COB would have been provided had they not been informed the GRC was to be dismissed. In addition, Kerman states that other questions concerning network facilities "were not answered because TD reached the decision to terminate the AL GRC."

Kerman disagrees with the inclusion of any recommendations or conclusions drawn by TD pertaining to its GRC. Kerman contends that TD's "conclusions are inaccurate and based on an incomplete record." In addition, Kerman argues that if the issues included in the GRC are too complex to be properly examined through the AL process, it should follow that, TD should not be able to make recommendations on those issues that it does not have the resources to adequately assess. Kerman therefore concludes that any recommendations made by TD and included in the Resolution are unjustified.

Kerman disapproves of TD raising the issues of prudence and reasonableness with regard to the company's facility upgrades. Kerman questions the validity of TD's suggestion that it may have been imprudent for Kerman to build its own facility.

Kerman argues that TD's calculations are inaccurate and do not take into consideration tax impacts and therefore should not be utilized to reach any preliminary conclusions regarding the COB's prudence. Kerman also finds objection to TD raising any questions about the reasonableness with regard to its fiber optic network. Kerman asserts that TD's recommendations on this matter are "incorrect" and fail to consider the "ever-increasing demand for bandwidth".

Kerman also disagrees with TD 's suggestion that the utility submit rate design proposals for mandatory business measured and optional residence measured rate service as well as a monthly DA charge and call allowance similar to those of the other SmLECs. Kerman states that it should not be required to provide a rate design proposal for measured service since the Commission's Universal Service decision (D.96-10-066) excluded SmLECs from being required to offer local measured service. With regard to the monthly DA charge, Kerman argues that there is no reason to restrict the utility from offering its own rate design proposal. Kerman states that considering the variety of monthly DA charges and call allowances offered by other LECs, it should be free to "to make any proposal it wishes .

In addition to the matters discussed above, Kerman disagrees with TD's suggestion that ORA conducts an audit of the utility's affiliate transactions and jurisdictional separation practices. Kerman argues that ORA is capable of determining if an audit is necessary when it reviews Kerman's application for GRC.

In response to Draft Resolution T-16597, ORA filed the following comments:

"ORA strongly supports most of the findings and recommendations contained in the DR" with the exception of the ordering of an audit. Although ORA agrees that an audit of Kerman's affiliate transactions and jurisdictional separation practices is justified, ORA does not support the order as it is written.

ORA suggests that rather than ordering it to conduct the audit itself, ORA should be allowed to obtain an outside auditor. ORA explains that it does not have the resources to assume this responsibility and estimates the cost of consulting to be approximately \$125,000. In order to cover this cost ORA recommends that "the Commission...order Kerman to reimburse ORA fully for audit expenses if the Commission requires ORA to conduct such an audit". ORA also proposes that Kerman be allowed to recover this expense in the GRC filing and amortize it over three years. If the Commission does not support the funding of the audit by Kerman, ORA argues that it should not be ordered to conduct the audit due to its lack of resources.

Finally, ORA proposes Ordering Paragraph 3 be replaced with the following language:

“The Office of Ratepayer Advocates shall be authorized to contract with an auditor to conduct an audit of the affiliate transactions and the funding for ORA’s contracted auditor, and may seek recovery of the cost in its GRC proceeding, to be amortized over three years. Kerman Telephone Company also shall establish a memorandum account to record the direct expenses incurred as a result of the funding obligation created by the Resolution.”

After review of the comments and reply comments filed by Kerman and ORA in response to Draft Resolution T-16597, we arrive at the following:

We disagree with Kerman that the DR is prejudicial or that it “represent[s] preliminary positions”. The recommendations provided by TD are only recommendations; they are not “conclusions” as Kerman argues. As a result, ORA is free to make any recommendations it ascertains are appropriate upon review of Kerman’s GRC application. We will then make a determination after a full review of parties’ proposals and recommendations that are in the record.

Kerman also argues that due to the AL being rejected, the utility was unable to properly respond to TD’s data requests. Although we appreciate Kerman explaining its inability to respond, this matter is inconsequential to the rejection. If, as Kerman asserts, the only reason for it not providing the requested information is the date of the rejection, this information should now be readily available when the utility files its application.

Although Kerman would like TD to remove all of its recommendations from the DR, we do not believe Kerman’s arguments justify deletion. Kerman argues that TD’s conclusions are inaccurate and based on an incomplete record” as well as being based on issues that TD believes are too complex and controversial to be examined under the AL process. We understand Kerman’s concerns and recognize that with these restrictions, TD must be cautious if it is to arrive at any conclusions on these matters. With this awareness, TD has only offered recommendations where appropriate and with the understanding that it is not setting any precedent nor restricting the further analysis of these issues in any direction. The purpose of TD’s recommendations are therefore to bring attention to issues it believes require further investigation by ORA and in this capacity, is invaluable to the process. Therefore, we will not remove them from the resolution.

After review of Kerman’s comments, we believe that the utility should submit, a) rate design proposals for its proposed monthly DA charge and call allowance as outlined

by TD; and b) a proposal that includes mandatory business measured rate service and a less expensive measured rate service option for its residence subscribers.

Although Kerman is free as they state to “make any proposals it wishes” Kerman has failed to support its monthly DA rate design proposal. In light of this, we believe TD has suggested a monthly DA charge it deems most appropriate to Kerman as a SmLEC. This does not prohibit Kerman from submitting other alternatives, but rather allows TD to guide Kerman toward a monthly DA charge and call allowance that will be supported.

Kerman is correct when it argues that D.96-10-066 excluded SmLECs from being required to offer local residence measured service; however, the decision does not exempt the SmLECs from offering measured business service. We will require that Kerman file a proposal to eliminate flat rate business, and institute measured rate business service in its GRC application. Furthermore, Kerman is strongly encouraged to file a proposal for a measured rate service option for its residence subscribers in its GRC application. This way, Kerman’s residence customers will have a choice of either flat rate residence service or measured rate residence service that may be less expensive.

After consideration of Kerman’s comments relating to the affiliate transactions and jurisdictional separations audit order, our opinion of the TD position remains unchanged. As Kerman declares, and we realize, ORA is fully capable of deciphering if an audit is essential. We believe the audit to be of the greatest importance if a thorough review of the complex and controversial issues contained in Kerman’s GRC is to be undertaken. We reason that it is in the best interest of Kerman’s ratepayers to limit the possibilities of any oversight in this area and therefore the audit requirement shall remain.

Due to ORA’s expressed lack of opposition to the Draft Resolution, the majority of ORA’s comments do not necessitate a response with one exception, its response to Ordering Paragraph 3 of the Draft Resolution, which requires ORA to conduct the above mentioned audit. As previously explained, ORA emphasizes that it does not have the resources to perform the audit and subsequently has requested that the Draft Resolution be modified to provide for funding of the audit by Kerman. If funding is unavailable, ORA has requested that the ordering paragraph be removed.

We find that an audit of Kerman and its affiliates is warranted and therefore will conform the ordering paragraphs in this resolution to reflect the following:

The Office of Ratepayer Advocates shall conduct an audit of the affiliate transactions and jurisdictional separation practices of Kerman Telephone Company. ORA is

authorized to retain, under contract, the services of an auditor to perform the duties assigned to them within this ordering paragraph. Kerman shall be responsible for the funding of ORA's contracted auditor. Kerman may seek recovery, via a separate AL filing, the costs associated with the audit, which, if approved, will be amortized over three years by use of an across-the-board bill-and-keep billing surcharge on those services that are currently subject to a billing surcharge/surcredit. Kerman shall also establish a memorandum account to record the direct expenses incurred as a result of the funding obligation created by this order.

CONCLUSIONS

We concur with TD's recommendations. Kerman's AL No. 291 is rejected without prejudice, and we will require Kerman to file its GRC by application no later than March 31, 2002, for a test year 2003.

Kerman should do the following: a) furnish its cost of capital workpapers and all needed support to justify its requested intrastate rate of return, b) modify its monthly DA charge and call allowance to reflect those of the other SmLECs (although Kerman is free to make other proposals), c) provide a rate design proposal for mandatory business measured rate service, d) strongly consider providing a rate design which would afford residence subscribers the option of measured rate service, e) provide justification for the lease of its new COB, f) explain the prudence of upgrading its fiber optic distribution network to within 6000 feet of every customer, g) verify completion dates and use of plant additions during the test year, and i) provide justification for director compensation amounts. All of the above information shall be provided at the time Kerman files its GRC application.

ORA should perform an audit of Kerman's affiliate transactions and jurisdictional separations.

Commission action is based on the specifics of the AL and does not establish precedent for the contents of future filings or for Commission action of similar requests.

FINDINGS

1. D.01-02-018 terminated all toll and access settlement payments from Pacific Bell to Kerman and approved \$2,038,248 in interim funding for year 2001 for Kerman from the CHCF-A.
2. D.01-05-018 extended the \$2,038,248 in interim CHCF-A funding for Kerman for year 2002, but required Kerman to file a GRC by 2002 to justify continued CHCF-A funding at this level.

3. Kerman filed AL No. 291 on June 1, 2001, submitting its GRC filing early, stating that it was earning less than its last authorized intrastate rate of return of 10%, and requesting additional funding from the CHCF-A to make up revenue shortfalls.
4. Kerman's AL No. 291 GRC requests an authorized revenue requirement of \$8,563,322 for a 12.25% intrastate rate of return on an authorized rate base of \$4,079,125.
5. Kerman's CHCF-A funding request of \$4,484,197 is \$2,445,949, more than the amount that was approved by D.01-02-018 and D.01-05-031.
6. ORA protested Kerman's AL No. 291 on July 5, 2001.
7. ORA's protest indicated that Kerman has not justified its requested increase in intrastate ROR to 12.25%, and recommends that Kerman withdraw and resubmit its request in a cost-of-capital application, in conjunction with other SmLEC GRC and ROR future filings.
8. ORA also claims that Kerman does not provide cost support for its request to establish a DA call allowance and charge.
9. Kerman answered ORA's protest on July 19, 2001.
10. Kerman responds that it filed its GRC pursuant to the Commission's GO 96-A, Section VI.
11. TD responds that Kerman has not provided the necessary cost support for its requested intrastate ROR at this time.
12. TD recommends that Kerman furnish cost of capital workpapers and all needed supporting documentation to justify its requested intrastate ROR.
13. TD concurs with ORA's recommendation that Kerman's intrastate ROR is best determined in an industry review involving other SmLECs for a test year 2003.
14. TD recommends that Kerman submit a DA charge and call allowance similar to those currently used by the other SmLECs.
15. TD recommends that Kerman file an application for its GRC rather than an Advice Letter GRC filing as permitted by GO 96-A, Section VI.

16. TD recommends that Kerman provide justification for the lease of the new COB.
17. TD recommends that Kerman explain the prudence of upgrading the fiber optic distribution network to within 6000 feet of every customer.
18. TD recommends that Kerman verify completion dates and use of plant additions during the test year.
19. TD recommends that Kerman provide justification for director compensation amounts.
20. TD recommends that ORA perform an audit of Kerman's affiliate transactions and jurisdictional separations.
21. TD recommends that Kerman include a rate design proposal for mandatory business measured rate service and strongly consider including a proposal for residence measured rate service.
22. The TD recommendations are reasonable.
23. The TD Draft Resolution is not prejudicial.
24. Kerman must address each of the TD recommendations when filing its GRC application.
25. Kerman is free to offer any additional rate design proposals it chooses.
26. Kerman should file its GRC by application and respond to the TD recommendations herein.

THEREFORE, IT IS ORDERED that:

1. Advice Letter No. 291 of Kerman is rejected without prejudice. TD shall mark Advice Letter No. 291 and all accompanying tariff sheets rejected pursuant to the provisions of General Order 96-A, Section VII.
2. Kerman shall file an application for its General Rate Case by March 31, 2002, for a test year 2003, responding in full to the recommendations of the TD as discussed in the findings herein.
3. ORA shall conduct an audit of the affiliate transactions and jurisdictional separation practices of Kerman Telephone Company.

4. ORA is authorized to retain, under contract, the services of an auditor to perform the duties assigned to them as indicated in Ordering Paragraph 3 of this resolution.
5. Kerman shall be responsible for the funding of ORA's contracted auditor.
6. Kerman may seek recovery, via a separate AL filing, the costs associated with the audit, which, if approved, will be amortized over three years by use of an across-the-board bill-and-keep billing surcharge on those services that are currently subject to a billing surcharge/surcredit.
7. Kerman shall establish a memorandum account to record the direct expenses incurred as a result of the funding obligation created by Ordering Paragraph Nos. 3 and 4 of this resolution.

This Resolution is effective today.

I hereby certify that this Resolution was adopted by the Public Utilities Commission at its regular meeting on November 29, 2001. The following Commissioners approved it:

/s/ WESLEY M. FRANKLIN

WESLEY M. FRANKLIN
Executive Director

LORETTA M. LYNCH
President
HENRY M. DUQUE
RICHARD A. BILAS
CARL W. WOOD
GEOFFREY F. BROWN
Commissioners